



TOWN OF EAST FREMANTLE

DIFFERENTIAL GENERAL RATES AND MINIMUM PAYMENTS – OBJECTS & REASONS FOR THE 2020/21 RATING YEAR

In accordance with section 6.36 of the *Local Government Act 1995* and Council's 'Notice of Intention to Levy Differential General Rates and Minimum Payments', the following information details the objectives and reasons for those proposals.

EXECUTIVE SUMMARY

The following rating principles are proposed in this Statement of Rating Objects and Reasons for the 2020/21 rating year:

- Gross Rental Values apply to the following differential general rate categories; Residential and Commercial.
- Properties are rated according to Town Planning zonings and predominant land use with each having a separate calculated rate in the dollar to achieve greater equity across all sectors.
- The Town of East Fremantle currently charges rates to six sporting clubs that are categorized as 'Sporting Clubs – Commercial', and rated under the Commercial GRV category. They are the East Fremantle Lawn Tennis Club, East Fremantle Bowling Club, East Fremantle Football Club, East Fremantle Rowing Club, East Fremantle Yacht Club and Swan Yacht Club. These clubs generate income through food and beverage, as well as hire of facilities. Club activities will however be significantly impact by the COVID-19 Pandemic, and Council is proposing a 25% rates concession for the 2020/21 financial year.
- The current Gross Rental Values have a date of valuation of 1 August 2018 – that is, the Town has received a general valuation with valuations to come into force on 1 July 2020.
- Following the general valuation, Residential valuations have decreased by an average of 6%.
- The Town has yet to receive valuations for 55 Commercial properties. Landgate previously advised that valuations for commercial properties are likely to decrease by 15%. For modelling purposes, the Town has assumed a 10% decrease in valuations for the outstanding properties.

- It is very important for both ratepayers and Council to recognize that changes in land values do not automatically drive changes to rates englobo. Council amends the rate in the dollar to offset any significant movement in valuations to maintain the rate yield, and the relative rates burden placed on each category.
- The rate in the dollar for Residential GRVs has been amended from 6.9949 cents to 7.4225 cents to maintain the total rate yield from this category at the same level as 2019/20.
- The rate in the dollar for Commercial GRVs has been amended from 10.6227 cents to 11.403 cents to maintain the total rate yield from this category at the same level as 2019/20.
- The proposed rates model will yield \$8,012,271 in total revenue, which is a 0% increase in total rate yield on budgeted rate revenue (excluding interim rates) for the 2019/20 year.

WHAT ARE RATES?

Rates are a tax levied on all rateable properties within the boundaries of the Town of East Fremantle in accordance with the *Local Government Act 1995*.

The overall objective of the proposed rates in the 2020/21 Budget is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity; however, the achievement of a wholly equitable rating system for all properties, in all areas, is a difficult task if it is based on the property valuations alone. For this reason there are refinement options made available, such as differential rating, the Town of East Fremantle has elected to use.

In Western Australia, land is valued by Landgate Valuation Services and those values are forwarded to each local government for rating purposes. Two types of values are calculated – Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. GRV means the gross annual rental that the land might reasonably be expected to realise if let on a tenancy from year to year upon condition that the landlord was liable for all rates, taxes and other charges thereon and the insurance and outgoings necessary to maintain the value of the land.

LOCAL GOVERNMENT ACT 1995 – RATING PROVISIONS

The *Local Government Act 1995* sets out the basis on which differential general

rates may be based as follows:

Section 6.32 (1) of the *Local Government Act 1995* states:

- (1) When adopting the annual budget, a local government –
 - a. In order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either –
 - i. Uniformly; or
 - ii. Differentially

DIFFERENTIAL GENERAL RATES

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics —
 - (a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act 2005*; or
 - (b) a purpose for which the land is held or used as determined by the local government; or
 - (c) whether or not the land is vacant land; or
 - (d) any other characteristic or combination of characteristics prescribed.
- (2) Regulations may —
 - (a) specify the characteristics under subsection (1) which a local government is to use; or
 - (b) limit the characteristics under subsection (1) which a local government is permitted to use.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
- (4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1)(a) applies.
- (5) A differential general rate that a local government purported to impose under this Act before the *Local Government Amendment Act 2009* section 39(1)(a) came into operation is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.

MINIMUM PAYMENTS

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.

- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than —
- (a) 50% of the total number of separately rated properties in the district; or
 - (b) 50% of the number of properties in each category referred to in subsection (6),
- on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage of —
- (a) the number of separately rated properties in the district; or
 - (b) the number of properties in each category referred to in subsection (6),
- unless the general minimum does not exceed the prescribed amount.
- (5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.
- (6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —
- (a) to land rated on gross rental value; and
 - (b) to land rated on unimproved value; and
 - (c) to each differential rating category where a differential general rate is imposed.

2020/21 BUDGET PROPOSAL

The following are the proposed Differential General Rates and Minimum Payments for the Town of East Fremantle for the 2020/21 financial year, to be effective from 1 July 2020:

Rate Category	Proposed Rate in \$	Proposed Minimum Payment	Budget Rate Yield 19/20	Budget Rate Yield 20/21	Note
Residential	7.4225 cents	\$1,106	\$6,678,968	\$6,706,533	Difference in total yield is attributable to property reclassifications between the commercial and residential general rate category
Commercial	11.403 cents	\$1,654	\$1,336,512	\$1,305,738	Difference in total yield is attributable to property reclassifications between the commercial and residential general rate category

TOTAL			\$8,015,480	\$8,012,271	
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Residential Improved and Not Improved

Characteristics: This differential general rate category imposes a general rate on land valued on a gross rental value basis, which is zoned, held or used for residential purposes and having improvements erected on it.

Reasons and Objects: The object of this proposed rate is to apply a base differential general rate to land zoned and used for residential purposes and to act as the Town’s benchmark differential rate by which all other GRV rated properties are assessed. The reason for this rate is to ensure that all ratepayers make a reasonable or minimum contribution towards the ongoing maintenance and provision of works, services and facilities throughout the Town. The proposed rate in the dollar of GRV value for this category is 0.074225 with a minimum payment amount of \$1,106. 10% of residential properties will receive the minimum payment.

Commercial Improved and Not Improved

Characteristics: This differential rate category imposes a rate on land valued on a gross rental value basis, which is zoned, held or used for commercial purposes and having improvements erected on it. This category also includes ‘Sporting Clubs – Commercial’. They are the East Fremantle Lawn Tennis Club, East Fremantle Bowling Club, East Fremantle Rowing Club, East Fremantle Football Club, East Fremantle Yacht Club and Swan Yacht Club. These clubs generate income through food and beverage, as well as hire of facilities.

Reasons and Objects: The object of this differential rate category is to apply a rate to Commercial properties in order to raise additional revenue to offset the costs associated higher levels of services to properties in this category, such as parking infrastructure, road construction, maintenance (including building maintenance) and refurbishment including road drainage systems, urban style guides and parking compliance. The proposed rate in the dollar of GRV value for this category is 0.11403 with a minimum payment amount of \$1,654. 8% of commercial properties will receive the minimum payment.

Proposed Rates Concession

Council recognizes that the COVID-19 Pandemic will significantly impact Sporting Club activities, and Council is proposing a 25% rates concession for the 2020/21 financial year. The objects and reasons for the concession are outlined below.

Waivers or concessions										
Rate or fee and charge to which the waiver or concession is granted							Circumstances in which the waiver or concession is granted			Objects and reasons of the waiver or concession
Type	Discount %	Discount (\$)	2020/21 Budget	2019/20 Actual	2019/20 Budget					
			\$	\$	\$					
GRV Commercial	Concession	25.0%	0	40,000	0	0	GRV Commercial - where properties are categorised as 'Sporting Clubs - Commercial'	Due to the economic impact arising from social distancing, and the cessation of club activities, the Town will provide rate relief for the 2020/21 financial year.		
				40,000	0	0				

SUBMISSIONS:

Submissions are invited from any elector or ratepayer with respect to the proposed rates, and any related matter, within a minimum 21 days of the date of this notice. Submissions should be addressed to the Chief Executive Officer, Town of East Fremantle, PO Box 1097, FREMANTLE WA 6959, by Friday, 5 June 2020.

Submissions should be clearly marked 'Submission – 2020/21 Differential Rates'.

Gary Tuffin
Chief Executive Officer